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EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
WASHINGTON

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June 12, 1953

Rec'd 15 June 1953

MEMORANDUM FOR THE NSC PLANNING BOARD

SUBJECT: Financial Data for NSC Purposes

REFERENCE: Record of Meeting of Planning Board, June 10, 1953, item 3

The enclosed memorandum by the Bureau of the Budget, containing a proposed procedure for the preparation of NSC statements of policy involving substantial expenditures, is transmitted herewith for consideration by the Planning Board at its meeting on Wednesday, June 17, at 10:00 a.m.

JAMES S. LAY, Jr.
Executive Secretary

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FOR NSC STAFF CONSIDERATION ONLY

(Planning Board)

June 12, 1953

FINANCIAL DATA FOR NSC PURPOSES

1. Agreement was reached last February that future National Security Council decisions would be reached only after careful consideration of the over-all fiscal situation and estimated costs of individual security programs. As a first step, the Treasury Department and the Bureau of the Budget prepared over-all projections of expenditures and revenues for the total Federal Budget based on existing policies. These projections provided a useful point of departure in reviewing total expenditure levels for security programs, and had a very important impact on the Council consideration of NSC 149. It is planned to bring these projections up-to-date every six months and include them in the regular NSC status reports. Projections will be made at other times when appropriate, and presented to the Council.

2. Experience indicates that present procedures for preparing over-all budget projections are satisfactory and should be continued.

3. In addition to the over-all financial projections, most of the recent specific NSC policy statements considered by the Council included cost estimates.

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4. However, experience in developing these "price tags," and making use of such cost estimates in the Planning Board and the National Security Council, leaves much to be desired. For example:

a. Although expenditure totals for the three largest security programs were approved in NSC 149, the Council has approved several policy statements since that time costing large sums of money, with little or no discussion of whether such approval (1) implied a reduction in programs of lower priority, i.e. the agency was expected to "absorb" the increase in its present budget; or (2) in effect revised the expenditure totals in NSC 149. Policy statements recently approved by the NSC, plus statements now before the Planning Board potentially involve expenditures totaling that were not included in NSC 149 (nor in the budget requests now before Congress). 50X1

b. In several instances expenditure data included in NSC policy statements have been successfully challenged in the Council itself, a clear indication of poor staff work.

c. Although the original purpose of putting a "price tag" on an NSC policy statement was merely to provide guidance in determining if the statement itself should be approved, in practice it has been used frequently as a means of getting Presidential approval of a specific dollar total for a security program even though the recommended dollar totals may not have been subjected to the usual

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rigorous screening by the comptroller of the agency involved or the Bureau of the Budget.

5. It is suggested that the above weaknesses could be largely overcome through adopting the following procedure for all NSC policy statements involving the expenditure of substantial amounts of money:

a. The agency responsible for preparing the first draft of a specific NSC policy statement will include:

(1) A rough estimate of the cost of adopting the policies in the draft paper; and

(2) An indication of what lower priority programs should be reduced to offset the cost of the proposed new or revised program. If the agency preparing the draft so wishes, it may call on the Bureau of the Budget for help in determining what programs would be affected by the proposed policies, availability of funds, and the like.

b. In preparing the cost data, the amount of detail will depend upon the magnitudes involved and the difficulty of making accurate estimates. As a minimum, however, the estimates should include the following:

(1) Total cost of the program, defined as estimated expenditures during the next four years or the life of the program, whichever is shorter.

(2) Estimated expenditures for the first year.

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(3) Probable rate of expenditures in the peak year.

(4) Other pertinent data indicating magnitude of future commitments.

c. When the draft paper reaches the Security Council staff it will be reproduced and circulated to members of the NSC Planning Board. The Bureau of the Budget will take a quick look at the estimated costs, and proposed changes in other programs to make way for this new program, and present its reactions to the Planning Board when the draft paper is first considered. If it appears to the Bureau that the estimates are unreasonable and will require additional review, the Planning Board will defer consideration of the financial data until the Bureau has reviewed the estimates with the agency concerned. If the Bureau cannot reach agreement with the agency, it will submit its objections to the Planning Board. In any event no attempt will be made to develop a highly refined cost estimate.

d. The Planning Board will then review the draft paper in the light of the financial data, particularly from the standpoint of whether the proposed offsetting changes in other programs represent an appropriate assessment of priorities, or whether the security situation calls for an increase in the total expenditures for security programs, included in NSC 149. The Board will not attempt to resolve

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any conflicting views on estimated costs, but note them in its transmittal to the Council.

e. The Council will note the estimated costs, and recommend to the President whether (1) offsetting reductions will be made in specified lower priority programs, or (2) expenditure totals in NSC 149 will be increased. The President will not be asked to approve the cost estimates.